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SUMMARY RECORD OF THE 18th MEETING

Chairman: Mr. KHAN (Pakistan)

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 88: SUSTAINABLE DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

(f) INDUSTRIAL DEVELOPMENT COOPERATION (A/49/347 and 372)

1. Mr. de MARIA Y CAMPOS (Director-General, United Nations Industrial Development Organization) said that, in his meetings with decision makers around the world he had noted three things: a renewed interest in industrial policy issues in developing countries, the complexity of the many industrial development issues faced by different countries and the close linkage that existed between industrial development, on the one hand, and human, social and environmental dimensions of development, on the other.

2. Referring to recent industrial development trends, he said that the developing countries' share of world manufacturing value-added (MVA) had increased from 12.6 per cent in 1975 to 16.7 per cent in 1992. Those figures did not include China, whose share had soared from 5.5 per cent in 1985 to 10.5 per cent in 1992. Those aggregate figures, however, must be further analysed. While the manufacturing value-added share of Latin America and the Caribbean had dropped from 55 per cent to 37 per cent between 1975 and 1992, that of South and East Asia had jumped from 26 per cent to 47 per cent, and Africa's share had remained at a low 6 per cent. That of the least developed countries had declined. In the past five years, industrial production in the economies in transition had dropped sharply, drastically affecting their share of world manufacturing value-added.

3. Other indicators reflected similar trends. The flow of foreign direct investment to developing countries had more than doubled between 1990 and 1993, reaching approximately $80 billion; however, close to 60 per cent of that amount had been invested in developing countries in Asia, and only about 2 per cent in Africa. Similarly, the export of manufactured goods had been highly concentrated in a few countries in South and East Asia and Latin America. The build-up of industrial capacities had also been very uneven from region to region. While some developing countries had registered a remarkable performance, most of them - particularly the least developed countries, and those in Africa - had thus far not benefited fully from the growth potential of industry.

4. It was now clearly recognized that industry was the major engine of growth and that its development would be vital in the face of population growth and increasing unemployment. Certain patterns of industrial development and certain policies could help to gear industrial development to social development. In policy-making, the technologies employed, the location of industry, skill requirements, environmental impact and linkages with other sectors were all key elements. In addition, income and wealth disparities could be effectively reduced by adopting industrial development strategies that, inter alia, promoted small- and medium-sized enterprises, stimulated job creation in poor rural and

urban areas, and stressed human resource development and entrepreneurship. Regional decentralization of industrial development could contribute greatly to reducing large income disparities which often led to rural-urban migration. Similarly, food security depended largely on effective linkages between agriculture and industry, and provided opportunities for the development of small-scale enterprises and local skills, particularly among women. Industrial expansion could also absorb a rapidly growing labour force and would be a boon to the services sector.

5. In the area of natural resource management and environmental sustainability, he said that development and transfer of clean technology, conservation and more efficient use of energy resources, phasing out of ozone-depleting substances and management of toxic substances would require the build-up of commensurate industrial capacity. Clearly, industrial production and consumption patterns also had a major impact on natural resource management.

6. As they became increasingly integrated into the global economy, developing countries were faced with major new challenges. Trade liberalization following the agreements reached at the Uruguay Round of multi-lateral trade negotiations would increase industrial opportunities and industrial competition in those countries, affecting low-scale, skill-intensive and research-and-development-intensive activities in both the domestic and export markets. Trade liberalization must benefit all countries, particularly the less developed countries; it must not hinder their industrialization processes through new forms of protectionism. In addition, regional economic blocs such as the European Union, the North American Free Trade Agreement and the growing integration of the Pacific region, would affect trade flows and parameters of competition, such as industrial and environmental standards. Countries outside those regional blocs, particularly in Africa, must renew their efforts to promote subregional integration with a view to expanding markets, enhancing complementarities and ultimately establishing links with the large trade blocs. In order to rise to the challenge of the technological revolution in informatics, the developing countries must be capable of rapid technological absorption and accelerated human resource development. They must also adapt to a new form of "upstream" industrial competition determined by specialized skills, quality products, clean technologies, compliance with demanding standards and major investments in research and development. Many of them would need assistance in order to acquire the required technology and skills.

7. In an era where international industrial cooperation was more important than ever, the international community must create favourable conditions for increasing and equitable partnership with the developing countries. That called for a profound new dialogue at the global level on a variety of issues, including industry, technology, investment and other resource flows. In that connection, concessional flows and grant aid must be continued in order to establish a political, institutional economic and a social environment that would ultimately attract private resource flows. "Aid fatigue", evidenced by the most recent decline in official development assistance (ODA), was therefore particularly alarming. UNIDO was preparing a new strategy to support the industrialization of the least developed African countries, which focused on

local capacity-building and a few strategic industrial development needs. Unfortunately, however, the necessary funds were not forthcoming. UNIDO would issue an appeal for financing on 20 November, on the occasion of African Industrialization Day.

8. In that context, he drew attention to the report for industrialization development cooperation contained in document A/49/347 and to the report of the Secretary-General on the Implementation of the Programme for the Second Industrial Development Decade for Africa (1993-2002) (A/49/372) and recalled that, in December 1993, UNIDO had launched a comprehensive process of reform, restructuring and reorientation of its priorities. The five overall development objectives it had adopted as part of that reform were listed in Section III of document A/49/347. The reform process also involved a comprehensive review of internal policies and management procedures in order to ensure that UNIDO was more cost-effective, quality-oriented and accountable to Member States. Still to be implemented was a major decentralization of activities in the field, designed to satisfy the growing upstream requirements of Governments and private industry. In conclusion, he hoped that the question of sustainable industrial development would be an integral part of any new development agenda elaborated.

9. Mr. AHMIA (Algeria), speaking on behalf of the Group of 77 and China expressed support for UNIDO activities and for a number of the points made by the Director-General. The Group of 77 and China, too, were concerned about the financial situation of UNIDO and the mobilization of resources for the continuation of the Organizations ongoing projects in developing countries, particularly in Africa and the least developed countries. The Group of 77 and China would appreciate additional information on the status of the implementation of the Second Industrial Development Decade for Africa (1993-2002), whose launching had been delayed. Perhaps the Director-General could describe any difficulties which had arisen in connection with the implementation of the Decade, and inform the Committee of how UNIDO would work actively with the regional and subregional organizations involved.

10. Mr. ZEBRAKOWSKY (Czech Republic) welcomed, in particular, the Director-General's enumeration of the Organization's objectives for sustainable industrial development and international industrial cooperation. It would be interesting to hear his comments on how cooperation between UNIDO and the countries in transition could be improved.

11. Mr. de MARIA Y CAMPOS (Director-General, United Nations Industrial Development Organization), replying to the Algerian representative, expressed the hope that the Group of 77 and China would continue to support UNIDO activities. He noted that in the past, much of the funding for industrial development activities in Africa had been provided by technical cooperation resources from the United Nations Development Programme (UNDP). However, those resources had plummeted from $109 million in 1988 to $9 million in 1993. Funding from the UNIDO regular budget, voluntary contributions to the Industrial Development Fund, trust funds and joint projects with the World Bank and regional development banks provided only an additional $4.5 million for African

industrial development and a new world-wide investment promotion network had failed to stimulate investment in Africa.

12. As part of its new strategy for African industrial development, UNIDO had invited representatives of the Economic Commission for Africa (ECA), the Organization for African Unity (OAU) and the African Development Bank to meet with a view to coordinating their efforts and elaborating a single basic strategy for consideration by the Conference of African Ministers of Industry to be held in Botswana in May 1995. In addition to seeking greater coordination with regional and subregional associations or organizations in Africa, UNIDO also hoped to achieve more effective cooperation with other United Nations agencies. For example, in its cooperation with the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Food and Agriculture Organization of the United Nations (FAO), it had taken a new pragmatic approach which focused on a few select projects in each case.

13. Responding to the representative of the Czech Republic, he said that UNIDO had not had much experience in providing assistance to countries with economies in transition, inter alia because it had been difficult to mobilize the additional resources that were required for that purpose. However, it had begun some interesting programmes and projects in the countries of Eastern Europe and in many countries of the former Soviet Union. UNIDO had been involved in industrial restructuring and the privatization of industrial enterprises, and was considering ways of promoting investment needed for the process of restructuring and privatization and for human resources development, especially at the managerial and entrepreneurial levels.

14. Countries with economies in transition had shown great interest in obtaining advice from UNIDO on industrial policy issues and institution-building. At the same time, UNIDO was considering specific kinds of cooperation that could be promoted not only among countries with economies in transition but also between such countries and developing countries. It had recently supported a special visit to Mexico by Czech technicians in the steel sector in order to consider the possibility of cooperating in the steel sector and environmental matters, and had also begun to examine the possibility of promoting specific investment promotion efforts between countries with economies in transition and Latin America, Asia and other regions of the world.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued) (A/49/3 and Add.1, A/49/56-S/26926, A/49/122-E/1994/44 and Add.1, A/49/169-E/1994/73, A/49/179-E/1994/82, A/49/189, A/49/215-E/1994/99, A/49/423, A/49/437, A/49/495 and A/49/506; A/49/L.5 and Add.1/ A/C.2/49/3, A/C.2/49/4, A/C.2/49/6 and A/C.2/49/7; A/C.2/49/L.2 and A/C.2/49/L.3)

15. Mr. FLORENCIO (Brazil) recalled that the General Assembly had adopted three important resolutions dealing with the restructuring and revitalization of the United Nations in the economic, social and related fields, namely, resolutions 45/264, 46/235 and 48/162. In its resolution 45/264, the General Assembly had called for a review, at the forty-eighth session of the General Assembly, of the reforms agreed upon. Owing to the delay in negotiations on Assembly resolution

48/162, which provided for a comprehensive review on its own implementation at the fiftieth session of the General Assembly, that review had not taken place. The Secretariat should provide clarification as to whether the review called for in Assembly resolution 45/264 would be carried out in conjunction with the review mandated by Assembly resolution 48/162 and, if not, how the pending mandate of Assembly resolution 45/264 would be implemented.

16. The high-level segment of the Economic and Social Council continued to be hampered by the traditional format of prepared texts. The President of the Council had endeavoured to promote a more fluid dialogue, in particular by setting aside time specifically for that purpose and by structuring the debate. However, further efforts were required. The one-day policy dialogue with the heads of financial and trade institutions continued to be a useful exercise, although it had yet to achieve the desired aim of promoting an effective interrelationship between the United Nations and those institutions. That relationship should be explored and enhanced through the initiative of an agenda for development. The summary made by the President of the Economic and Social Council was merely a synthesis of the debate and, as such, it could not be considered an agreement reached among Member States.

17. The coordination and operational activities segments had been more effective in promoting dialogue. The new practice of reconsidering the themes of the previous year's coordination segment allowed members to examine the implementation of agreed conclusions and the division of responsibilities between the functions of the operational activities segment and the policy functions of the General Assembly in that field.

18. Under General Assembly resolution 46/235, a number of the Council's subsidiary organs had been transformed into expert bodies. That measure should have enhanced the efficiency and effectiveness of the work of the Council and its subsidiary bodies. In practice, however, the Council had experienced enormous difficulties in absorbing and dealing with recommendations from experts. As a result, it had had to postpone consideration of those recommendations, requesting special sessions of subsidiary bodies for the re-elaboration of their reports and scheduling resumed sessions of the Council itself. That procedure was far from efficient and must be addressed as soon as possible.

19. The initiatives of subsuming the economic and social committees directly into the plenary session had responded to a concern over the repetition of debates held in the subsidiary bodies of the Economic and Social Council. In general, however, the Council merely rubber-stamped the reports submitted to it. In future, the Council should make better use of the new format by engaging in substantive deliberations on the reports. It was essential that the Council should be in a position to fully exercise its responsibilities, in particular through the timely receipt of documentation. His delegation welcomed the initiative of the delegation of Austria on the question of documentation and looked forward to discussing possible measures in that area.

20. The underlying framework of the reforms instituted through General Assembly resolution 48/162 consisted of improvements in the governance and financing aspects of operational activities. While the results of the governance reforms had been positive, the current status of the negotiations on financing mechanisms gave rise to serious concern. It appeared that some parties attributed considerably less importance to financing. In the view of his delegation, the reforms could be sustained only if each aspect received equal attention.

21. Ms. HOMANOVSKA (Ukraine) said that the restructuring and revitalization of the Economic and Social Council was gaining momentum, as was evidence from the results of its substantive session in 1994. The introduction of new principles for the organization of the session had promoted substantive discussions and useful dialogue on the adoption of important decisions. The application of innovative working methods had made it possible to avoid repetitive statements and the duplication of resolutions and decisions. A positive aspect of the work of the session had been the decreased number of resolutions and decisions as compared with previous sessions. At its future sessions, the Council should endeavour to ensure the practical implementation of its resolutions and decisions.

22. Her delegation commended the direct dialogue between members of the Economic and Social Council and those directly responsible for implementing its decisions. It was essential to continue and broaden an active "question-and-answer" dialogue with representatives of the subsidiary bodies of the Council and the specialized agencies and bodies of the United Nations system. It was extremely important to hold a dialogue with the managers of multilateral financial and trade institutions. That would significantly improve macro-coordination of the policies of the United Nations system and the Bretton Woods institutions.

23. The high-level segment continued to be a strategically important component of the session. Unfortunately, the summary and conclusions prepared on the basis of the outcome of the high-level segment had not specifically reflected the proposals that had been made by countries with economies in transition. The Economic and Social Council should take more vigorous measures to develop a comprehensive approach and strike a balance between the interests of the international community with respect to all groups of States, including countries with economies in transition. At the same time, the organizational aspect of the discussions during the high-level segment must be improved.

24. The coordination segment should be more precise and constructive. Greater attention should be given to completing all items on the agenda instead of postponing consideration to subsequent sessions. Her delegation attached great importance to the operational activities segment. Support should be given for the conduct of high-level meetings during that segment, whose duration should be extended.

25. Economic and Social Council decision 1994/33, according to which a principal theme or themes for consideration at the high-level meeting would be

determined during the operational activities segment, was a good basis for improving the consideration of operational activities within the Council. In particular, her delegation was looking forward to the more complete implementation of paragraph 5 of that decision. The implementation of Council resolution 1994/1, on the integration of the Commission on Transnational Corporations into the institutional machinery of the United Nations Conference on Trade and Development (UNCTAD), would help the United Nations system resolve problems in the area of international investments, strengthen the role of transnational corporations in the field of economic growth and development and avoid duplication of work.

26. Her delegation also supported Council resolution 1994/49, on the commemoration of the millennium of the Kyrgyz national epic, Manas. The adoption of that resolution by the General Assembly at its current session would help further the ideals of humanity and moral values among the peoples of the world and would be a worthy contribution to the world's cultural heritage.

27. Mr. STOBY (Director, Division for Policy Coordination and ECOSOC Affairs, Department for Policy Coordination and Sustainable Development), replying to the question raised by the representative of Brazil, said that, in response to the request contained in General Assembly resolution 45/264 for a review of all aspects of the implementation of the resolution by the Assembly, the Secretary-General had submitted a combined report to the Assembly at its forty-eighth session. However, very little action had been taken on the report. At the current session of the Assembly, the Secretary-General would submit a report in response to the requests made in Assembly resolutions 45/264 and 48/162, which would be considered under agenda item 43, entitled "Restructuring and revitalization of the United Nations in the economic, social and related fields". Consideration should therefore be given to the arrangements to be made by the Assembly at its current session for a comprehensive review of the implementation of Assembly resolution 48/162 at the fiftieth session of the Assembly and/or a high-level meeting of the Economic and Social Council in July 1995.

The meeting rose at 4.30 p.m.